

# THE COMPLIANCE CONNECTION

REGULATORY NEWS FOR VIRGINIA MORTGAGE AND CONSUMER FINANCE COMPANIES  
STATE CORPORATION COMMISSION - BUREAU OF FINANCIAL INSTITUTIONS

SUMMER 2007



The Compliance Connection is published quarterly and is part of the Bureau's efforts to improve communication with the companies we regulate. It is distributed to Virginia mortgage, consumer finance and industrial loan association licensees, and other interested parties. It is the licensee's responsibility to read this newsletter and to be familiar with the positions and interpretations stated herein.

Suggestions and comments concerning the newsletter or its contents should be addressed to the Bureau at P.O. Box 640, Richmond, VA 23218-0640 or via email at [bfiquestions@scc.virginia.gov](mailto:bfiquestions@scc.virginia.gov).

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## Does Your Advertising Comply?

The Bureau continues to see violations of the advertising section of the State Corporation Commission's (SCC's) Rules Governing Mortgage Lenders and Brokers (10 VAC 5-160-60 of the Virginia Administrative Code). The advertising regulation became effective on September 1, 2006. Several articles about the rules have been included in previous issues of this newsletter, yet violations continue to occur.

Some of the violations repeatedly found include:

- Failure to include the company's license number issued by the Commission (MLB, ML, MB – XXX)
- Failure to include the statement that the company is licensed by the "Virginia State Corporation Commission"
- Failure to disclose required information in a "clear and conspicuous" manner (meaning the disclosures are reasonably understandable; prominently located; and readily noticeable by a potential borrower of ordinary intelligence)
- Advertisement of loan products that are not actually available
- Falsely representing loan programs as "special"
- Failure to comply with the advertising rules in § 226.24 of Regulation Z, particularly the failure to properly disclose the applicable APR when an interest rate is disclosed
- Failure to include the licensee's name as it appears on the license issued by the Commission
- Advertisements that falsely appear as if they are mailed by a governmental entity or the consumer's current noteholder

Advertisements include but are not limited to billboards; print, television and radio ads; company Web sites; roadside signs; and automobile signs. In order to avoid fines, cease and desist orders, or other regulatory action for violations of 10 VAC 5-160-60, we suggest you review all advertisements used to solicit Virginia mortgage business to ensure compliance.

## BFI Operation Summary and Annual Report

The Bureau recently published its "Summary of Operations," which provides an overview of the Bureau's mission; receipts and disbursements; regulated institutions; accreditations; a description of the Bureau's organizational structure; and selected financial information for the industries regulated by the Bureau. A copy of the Report is available on the Bureau's Web site.

The 2006 Annual Report of the Bureau of Financial Institutions is also available on the Bureau's Web site. The report is divided into four sections: (a) Banks, Savings Institutions, Trust Companies, and Credit Unions; (b) Mortgage Lender and Broker Licensees, Industrial Loan Associations, Money Transmitters, and Credit Counseling Agencies; (c) Consumer Finance Licensees, and (d) Payday Lender Licensees and Registered Check Cashers.

## Surety Bond Claims

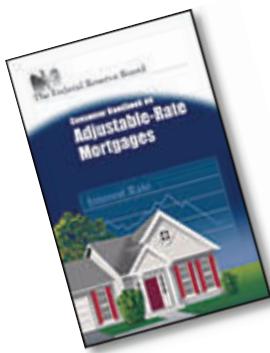
The following bond claims were filed and paid by surety companies since August 2006. Currently, the Bureau has four additional claims pending for a total of \$22,654.20. Since the middle of 1998, Bureau staff has filed claims against the bonds of licensed mortgage companies (pursuant to § 6.1-413 of the Code of Virginia) resulting in \$198,195.05 in consumer reimbursements. The payments received are forwarded to borrowers and applicants and reflect overcharges found by the Bureau.

- MB – 841 Accent Mortgage Services, Inc. – \$4,972.73 bond claim paid September 2006
- MB – 2231 America's Best Lending Network, Inc. -- \$9,913.42 bond claim paid April 2007
- MB – 1898 Home Equity Loan Products, Inc. -- \$4,015.00 bond claim paid February 2007
- MB – 1249 Solera Mortgage Corporation -- \$6,730.00 bond claim paid May 2007
- MB – 2562 Union Mortgage, Inc. -- \$395.00 bond claim paid May 2006
- MB – 2348 Virginia Mortgage Group, Inc. -- \$5,119.90 bond claim paid July 2007



## “CHARM” Booklet – Revisions

Substantial revisions have been made to the Consumer Handbook on Adjustable-Rate Mortgages (the CHARM booklet) to include information about “interest-only” and “payment option” mortgage loans.



Creditors must provide the CHARM booklet to consumers with every application for an adjustable rate mortgage loan. In a December 26, 2006 press release by the Federal Reserve Board, the Board informed creditors that they may use the revised booklet right away, or continue to use their existing stock of CHARM

booklets until **October 1, 2007**, the date when the revised booklet must be provided.

You can view the revised booklet on the Federal Reserve Board's Web site at:

<http://www.federalreserve.gov/pubs/brochure.htm>

## High – Cost Annual Adjustment

On August 1, 2007 the Federal Reserve Board published its' annual adjustment of the dollar amount that triggers additional disclosure requirements under the Truth in Lending Act for home mortgage loans that bear rates or fees above a certain amount. **The adjustment is effective January 1, 2008.**

The dollar amount of the fee-based trigger has been adjusted to \$561 for 2008. This change was based on the annual percentage change reflected in the Consumer Price Index that was in effect on June 1, 2007.

The Home Ownership and Equity Protection Act of 1994 (“HOEPA”) restricts credit terms such as balloon payments and requires additional disclosures when total points and fees payable by the consumer exceed the fee-based trigger (initially set at \$400 and adjusted annually) or 8 percent of the total loan amount, whichever is larger.

Licensees should make sure that computer systems are properly adjusted by January 1, 2008 to ensure compliance. To view the Board's Notice, go to:

<http://www.federalreserve.gov/boarddocs/press/bcreg/2007/20070801/attachment.pdf>



## License Update

The following is a list of companies that have surrendered their license, had their license revoked, had an application denied, or paid a fine since May 15, 2007. This list should be helpful to keep track of companies with which you do business. These lists are accurate as of August 15, 2007. Call the Bureau if you have a question concerning a recent denial, surrender or regulatory action taken by the Commission. A list of current mortgage licensees is available on our Web site.

### Mortgage Licenses Surrendered

- MB-3445 PWP Financial, Inc. – 5/17/07
- ML-147 Saxon Mortgage, Inc. d/b/a Saxon Home Mortgage – 5/18/07
- ML-397 Master Financial, Inc. – 5/21/07
- MLB-1338 World Group Mortgage, L.L.C. – 5/21/07
- MB-1793 D & D Financial Group, Inc. – 5/22/07
- MLB-807 Performance Credit Corporation – 5/22/07
- MB-469 William A. Fraser t/a Financial Solutions – 5/22/07
- MB-1189 Access Mortgage Inc. – 5/24/07
- MLB-1039 ECI Loan.com, Inc. (Used in VA by: Equity Concepts, Inc) SURRENDERED ITS LENDER AUTHORITY 5/23/07 – NOW LICENSED AS MB-3998
- MLB-1458 ALI Mortgage Inc, SURRENDERED ITS LENDER AUTHORITY 5/24/07 – NOW LICENSED AS MB-4002
- MLB-768 Consumer Mortgage Services Incorporated – 5/30/07
- MLB-1015 Uvantage Home Lending Services, Inc. – 5/30/07
- MLB-462 New Century Mortgage Corporation d/b/a Home123 Corporation – 5/30/07
- MLB-1212 MortgageTree Lending Corporation (Used in VA by: MortgageTree Lending) - 5/31/07
- MB-3099 Nearman Financial Consulting, Inc. – 6/1/07
- MLB-908 Mid-States Financial Group, Inc. – 6/1/07
- MB-2450 Kuranda Financial Mortgage, Incorporated – 6/7/07
- MB-3364 Triton Financial Group, LLC – 6/11/07
- MLB-1125 BMTLOANS.COM, INC. (Used in VA by: Bankers Mortgage Trust, Inc.) - 6/12/07
- MLB-937 First Mortgage Group, Inc., SURRENDERED ITS LENDER AUTHORITY 6/12/07 – NOW LICENSED AS MB-4042
- MLB-929 Lender's Investment Corp. – 6/12/07
- MLB-1339 Homefield Financial, Inc. – 6/13/07
- MLB-1226 Ownit Mortgage Solutions, Inc. – 6/14/07
- MLB-1351 Bradford Mortgage Company, LLC – 6/14/07
- MLB-1257 Sun Mortgage, Inc. d/b/a SMI Financial SURRENDERED ITS LENDER AUTHORITY 6/18/07 – NOW LICENSED AS MB-4028
- MB-1314 1st Priority Mortgage Corp. d/b/a Affordable Mortgage Solutions – 6/20/07
- MB-2513 Douglas Mortgage LLC – 6/21/07
- MB-3349 Integrity Home and Finance, Inc. – 6/26/07
- MLB-1072 Allstate Mortgage, Inc., SURRENDERED ITS LENDER AUTHORITY 6/27/07 – NOW LICENSED AS MB-4038
- ML-610 Homeowners Mortgage Enterprises, Inc. – 6/29/07
- MB-3263 Premier Home Capital Corp. (Used in VA by: Premier Lending Corp.) – 6/29/07
- MLB-982 Ameritrust Mortgage Company, LLC – 6/29/07
- MLB-934 MortgageSouth Financial Services, Inc., SURRENDERED ITS LENDER AUTHORITY 6/29/07 – NOW LICENSED AS MB-4037
- MLB-1528 Capitol Mortgage Services, Inc. d/b/a Unlimited Loan Resources – 6/30/07
- MLB-1399 AmTrust Mortgage Corporation – 6/30/07
- MB-2205 H&R Mortgage & Financial Services Inc. – 6/30/07
- ML-712 Bankers Express Mortgage, Inc. – 7/1/07
- MB-1492 Olmn.net Corporation d/b/a Southard Street Mortgage – 7/2/07
- MB-3034 Favor Mortgage Corporation – 7/2/07
- MB-1472 Bayshore Mortgage, Inc. – 7/2/07
- MB-1804 FreedomPoint Financial Corporation – 7/2/07
- MLB-949 1st Nations Mortgage Corporation, SURRENDERED ITS LENDER AUTHORITY 7/3/07 – NOW LICENSED AS MB-4041
- MLB-754 Bridge Capital Corporation – 7/9/07
- MB-2648 J & H Mortgage Consultants, Inc. d/b/a Creative Lending Solutions – 7/9/07
- MLB-1425 Equistar Financial Corporation – 7/10/07
- MB-2351 HomePlace Financial LLC – 7/12/07
- MLB-884 United Financial Mortgage Corp. of Virginia – 7/13/07
- MB-2392 First Southern Financial, Corp. – 7/16/07
- MLB-1341 We Have Loans 4 U Inc., SURRENDERED ITS LENDER AUTHORITY 7/17/07 - NOW LICENSED AS MB-4079
- MB-3185 Northern Mortgage Services, LLC – 7/20/07
- MLB-1100 Honey Mae Inc. – 7/20/07
- MB-2965 Lighthouse Funding, LLC – 7/24/07
- MB-2400 Integrity Residential Corp. d/b/a Integrity Residential Mortgage Group - 7/24/07
- MLB-828 AEGIS Lending Corporation – 7/24/07
- MB-1072 Deerwater Financial, Inc. – 7/27/07
- MLB-1311 Guardian Funding Inc., SURRENDERED ITS LENDER AUTHORITY 7/27/07 - NOW LICENSED AS MB-4083
- MB-3649 Shop Your Mortgage Broker.com, LLC – 7/30/07
- MB-2882 Home Funding Group, LLC d/b/a 800-345-CASH – 7/30/07
- MLB-679 Sunset Mortgage Company L.P. – 7/31/07
- MLB-1149 Eastern Residential Mortgage, LLC – 7/31/07
- MB-3636 Waset Mortgage Group, Inc. – 7/31/07

(continued on next page)

**Mortgage Licenses Surrendered** (continued from previous page)

ML-556 Pinnacle Direct Funding Corporation – 7/31/07  
 MLB-1386 Sunset International Mortgage, Incorporated – 8/1/07  
 MLB-815 FlexPoint Funding Corporation – 8/1/07  
 ML-659 Paramount Bond & Mortgage Co., Inc. – 8/1/07  
 MLB-1101 Guardian Loan Company of Massapequa, Inc.,  
 SURRENDERED ITS LENDER AUTHORITY  
 8/3/07 - NOW LICENSED AS MB-4080

MB-1319 Town and Country Financial Services, Inc. – 8/8/07  
 MB-1787 Premier Mortgage Bankers, Inc. – 8/9/07  
 MB-2360 Your Mortgage Company, LLC – 8/15/07

**Mortgage Licenses Denied**

ML-716 United California Systems International, Inc. – 5/30/07

MB-3776 Integra Financial Group, L.L.C. – 6/7/07  
 MB-3767 Virginia Capital Mortgage, LLC – 6/7/07

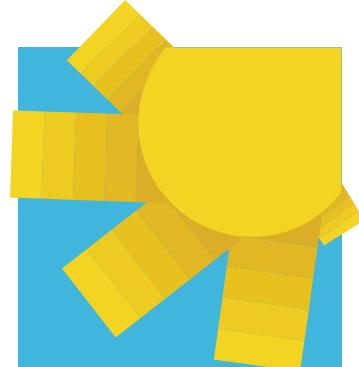
**Mortgage Licenses Revoked**

MLB-1093 ABC Mortgage Corporation – 5/17/07 – for failure to pay its annual fee by May 25, 2006, in violation of § 6.1-420 of the Code of Virginia, and for failure to file its annual report due March 1, 2007 and timely file its annual report due March 1, 2006, in violation of § 6.1-418 of the Code of Virginia

MLB-1032 America's Choice Mortgage, Inc. – 8/1/07 – for repeatedly failing to respond to the Bureau of Financial Institutions' examination report, in violation of 10 VAC 5-160-50

**The following licenses were revoked for failure to maintain a surety bond pursuant to § 6.1-413 of the Code of Virginia:**

MB-2974 First American Savings Corporation – 6/14/07  
 MB-3247 Legends Investments Group, Inc. d/b/a LMI Mortgage – 6/20/07  
 MB-3296 American Equity Finance, Inc. – 7/25/07  
 MB-2565 21<sup>st</sup> Century Capital Corp – 7/25/07  
 MB-2835 Mortgage Group of America, LLC (Used in Virginia by: Mortgage of America, LLC – 6/14/07

**The following licenses were revoked on July 13, 2007 for failure to file the annual report due March 1, 2007, as required by § 6.1-418 of the Code of Virginia:**

MB-3051 Premier Home Equity Services, Inc.  
 MB-2957 Prestige Funding, LLC  
 MB-2611 Prime Option Financial Services, LLC  
 MLB-1297 Quality Florida Group, Corp. d/b/a Quality Virginia Mortgage, Corp.  
 MB-2561 Ronald E. Umberger and Sheri L. Wedmore d/b/a New Hope Mortgage  
 MB-2720 Safeguard Mortgage, LLC  
 MB-2745 Southern Financial Mortgage Corporation  
 MB-2750 Strategic Mortgage, LLC  
 MB-3290 Towne and Country Home Loans, LLC  
 MB-2733 Winthrop Oppenheimer, LLC  
 MB-1865 Metro Financial Group, LLC  
 MB-2787 Payne Financial Services, Ltd.  
 MLB-1061 iwayloan, L.P.  
 MLB-727 Liberty Funding Services, Inc.

MLB-527 Platinum Capital Group d/b/a Platinum Capital Group, Inc.  
 ML-619 First Capital Financial Services Corp., d/b/a Full Compass Lending Corp.  
 MB-2378 General Funding Solutions, Inc.  
 MB-3359 Equality Finance & Realty, Inc.  
 MB-3382 Cross Atlantic Mortgage Bank, Inc.  
 MB-3048 Community Trust Mortgage Corp.  
 MB-2583 Commonwealth Mortgage Associates, Inc.  
 MB-2816 Commonwealth Investment Alliance LLC, d/b/a People Mortgage  
 MLB-901 Commonwealth Home Loans, LLC  
 MB-2003 Cambridge Mortgage Corporation  
 ML - 664 ACT Lending Corporation d/b/a ACT Mortgage Capital

**Mortgage Licenses Revoked** (continued from previous page)

The following licenses were revoked on July 13, 2007 for failure to file the annual report due March 1, 2007, as required by § 6.1-418 of the Code of Virginia, and failure to maintain a surety bond pursuant to § 6.1-413 of the Code

ML-663 Equifund, Inc.

MLB-1165 Union Equity Corporation

The following licenses were revoked on July 13, 2007 for failure to pay the annual fee due May 25, 2006, as required by § 6.1-420 of the Code of Virginia, and failure to file the annual report due March 1, 2007, as required by § 6.1-418 of the Code of Virginia:

MB-1417 United Home Savings, LLC

MLB-233 Wall Street Mortgage Corporation

MB-2162 Greystone Financial Services, Inc.

MB-3217 4 Capital M, LLC

MB-2797 American Loans II, Inc.

**Fines Paid by Mortgage Licensees**

MB-2739 DBSA Holdings, Inc. d/b/a Foundation Capital Group, Inc. – settlement order entered on 5/25/07. Paid \$2,000 for conducting a mortgage lender business without the required license (NOW LICENSED AS MLB-1409)

MB-1466 Northstar Mortgage Corp. – settlement order entered on 6/15/07. Paid \$1,000 for relocating an office without applying for and obtaining prior Commission approval

MB-3015 American Mortgage Group, Inc., A Corporation of North Carolina (Used in Virginia by: American Mortgage Group, Inc.) – settlement order entered on 8/13/07. Paid \$2,500 for acting as a mortgage broker in Virginia without the required license

**Other Fines Paid**

FNRES Holdings, Inc. – settlement order entered on 6/5/07. Paid \$3,000 for acquiring the stock of Stecroft Holdings, Inc. d/b/a Go Apply, Inc. (MB-2714) without applying for or obtaining prior Commission approval

**It Pays To Be On The Right Side of the Law:**

Mortgage lenders and brokers with a good compliance record have their applications for additional offices and relocations processed more quickly. Although the Code of Virginia generally provides for a thirty day period for processing of these applications, the Bureau of Financial Institutions normally processes applications of licensees with a good compliance record within ten days, depending on the application volume.

An application for relocation or an additional office shall be approved unless the Commission finds that a licensee has not conducted business efficiently, fairly, in the public interest and in accordance with law. The application shall be deemed approved if notice to the contrary has not been mailed to the applicant within thirty days of the date the application is received by the Commission. Delays in the approval process or denials are encountered in cases where applicable laws and regulations have been violated, as reflected in examination reports; an inordinate number of consumer complaints; failure to file the annual report for mortgage lenders/brokers (due March 1 annually); failure to pay assessment fees (due May 25 annually); failure to maintain a good standing status with the Clerk's Office of the State Corporation Commission; relocating or establishing offices without prior Commission approval; and failure to inform the Bureau of changes in directors and senior officers, as required by §6.1-416 of the Code of Virginia.



Compliance with laws and regulations simplifies and streamlines the regulatory process. It saves time and money, prevents interruption of services to the consumer and benefits everyone.

Any questions you may have concerning the application process should be directed to Deputy Commissioner Nick Kyrus or his staff at (804) 371-9690 (e-mail: [Nick.Kyrus@scc.virginia.gov](mailto:Nick.Kyrus@scc.virginia.gov)).

**IMPORTANT COMMISSION TELEPHONE NUMBERS**



Licensing (annual reports, applications, name changes, relocations).....(804) 371-9690

Consumer Finance and Mortgage Examinations ....(804) 371-9701

Consumer Complaints.....(804) 371-9705

Banks and Savings Institutions.....(804) 371-9704

Corporate Information – Clerk’s Office.....(804) 371-9733

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*1300 East Main Street, Suite 800, Richmond, VA 23219*

**IMPORTANT REGULATORY INFORMATION ENCLOSED!**